



House of Representatives

File No. 888

General Assembly

January Session, 2007

(Reprint of File Nos. 65 and 648)

Substitute House Bill No. 7204
As Amended by House Amendment
Schedule "A"

Approved by the Legislative Commissioner
May 29, 2007

**AN ACT CONCERNING THE ENFORCEABILITY OF AUTOMATIC
CONTRACT RENEWAL PROVISIONS.**

Be it enacted by the Senate and House of Representatives in General
Assembly convened:

1 Section 1. (NEW) (*Effective October 1, 2007, and applicable to contracts*
2 *entered into on and after said date*) (a) No provision of a contract for
3 refuse removal or disposal which states that the term of such contract
4 shall be deemed renewed for a specified additional period of time shall
5 be enforceable unless the person against whom such provision is to be
6 enforced initialed or signed a conspicuous statement immediately
7 following such provision, stating, in boldface type at least twelve
8 points in size: "I acknowledge that this contract contains an
9 AUTOMATIC RENEWAL provision." The provisions of this
10 subsection apply to written contracts and shall also apply to contracts
11 meeting the requirements of the Connecticut Uniform Electronic
12 Transactions Act, sections 1-266 to 1-286, inclusive, of the general
13 statutes.

14 (b) The provisions of this section shall not apply to: (1) Any contract
15 in which the automatic renewal period specified is thirty-one days or

16 less and can be cancelled at any time without penalty or damages, or
17 (2) a written contract subject to the provisions of section 42-126b of the
18 general statutes, as amended by this act.

19 Sec. 2. Subsection (c) of section 42-126b of the general statutes is
20 repealed and the following is substituted in lieu thereof (*Effective*
21 *October 1, 2007*):

22 (c) (1) Any person, firm, partnership, association or corporation that
23 sells or offers to sell any products or services used primarily for
24 personal, family or household purposes for a specified period of time
25 of more than one hundred eighty days pursuant to a written contract
26 that contains a provision for automatic renewal of the contract for a
27 period of time of more than thirty-one days at the end of the period of
28 time specified in the contract shall provide the recipient of such
29 products or services with a clear and conspicuous written notice that
30 the recipient may cancel such contract. Such notice shall include the
31 procedure for such cancellation. Such notice shall be given at least
32 fifteen days but not more than sixty days prior to: [the end of such
33 specified period of time] (A) The date upon which the contract will be
34 renewed, or (B) the expiration of the time period for cancellation by the
35 recipient, whichever time period is earlier. Mailing of the written
36 notice required by this subdivision by United States mail to the
37 address of the recipient listed in the contract shall satisfy the notice
38 requirements of this subdivision.

39 (2) Any person, firm, partnership, association or corporation that
40 sells or offers to sell any products or services used primarily for
41 personal, family or household purposes for a specified period of time
42 of one hundred eighty days or less pursuant to a written contract that
43 contains a provision for automatic renewal of the contract for a period
44 of time of more than thirty-one days at the end of the period of time
45 specified in the contract, shall include in such contract a clear and
46 conspicuous written notice that the recipient of such products or
47 services may cancel such contract and the procedure for such
48 cancellation, provided the recipient shall not be required to exercise

49 such right of cancellation more than sixty days prior to the expiration
50 of the specified period of time.

51 (3) If such notice is not provided to the recipient in accordance with
52 subdivision (1) of this subsection or included in the contract in
53 accordance with subdivision (2) of this subsection, as the case may be,
54 any such products or services furnished to the recipient after the
55 expiration of the period of time specified in the contract shall be
56 deemed an unconditional gift under subsection (a) of this section.

57 (4) Nothing in this subsection shall be construed to apply to a health
58 club contract subject to the provisions of section 21a-219, a contract
59 subject to the provisions of sections 36a-675 to 36a-685, inclusive, or
60 any contract between a condominium or housing association and a
61 person other than an individual.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2007, and applicable to contracts entered into on and after said date</i>	New section
Sec. 2	<i>October 1, 2007</i>	42-126b(c)

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either chamber thereof for any purpose:

OFA Fiscal Note

State Impact: None

Municipal Impact: None

Explanation

The bill makes minor changes to certain contract renewal provisions between private parties and has no fiscal impact.

House Amendment "A" strikes the bill, which had no fiscal impact.

The Out Years

State Impact: None

Municipal Impact: None

OLR Bill Analysis**sHB 7204 (as amended by House "A")******AN ACT CONCERNING THE ENFORCEABILITY OF AUTOMATIC CONTRACT RENEWAL PROVISIONS.*****SUMMARY:**

This bill (1) establishes requirements relating to contract renewal provisions in refuse removal contracts and (2) revises requirements relating to renewal provisions in consumer contracts. It makes provisions in refuse removal or disposal contracts that renew a contract for a specified amount of time unenforceable in court unless the person against whom the contract is to be enforced initialed or signed a conspicuous statement immediately following the renewal provision stating, "I acknowledge that this contract contains an AUTOMATIC RENEWAL provision." The statement must be in 12-point boldface type. The requirement applies to contracts that are written and to electronic contracts that comply with the Connecticut Uniform Electronic Transactions Act, which establishes a legal foundation to use electronic communications in transactions in which the parties have agreed to conduct business electronically. The bill exempts from these requirements (1) contracts in which the automatic renewal period is less than 32 days and can be cancelled without penalty or damages at any time and (2) consumer contracts.

Under current law, anyone who sells or offers to sell consumer goods or services under a written contract that (1) will last longer than 180 days (six months) and (2) includes a provision automatically renewing it for more than 31 days, must provide a clear and conspicuous written notice informing the purchaser that he or she can cancel the contract. The notice must (1) include the cancellation procedure and (2) be provided at least 15, but not more than 60, days

before the end of the contract term. The bill instead requires the notice to be sent between 15 and 60 days before (1) the renewal date or (2) the end of the time for cancellation, whichever is earlier. The notice requirement may be satisfied by sending a written notice by U.S. mail.

*House Amendment "A" applies the renewal notice requirement solely to refuse removal contracts and adds the provision relating to consumer contracts lasting longer than 180 days.

EFFECTIVE DATE: October 1, 2007, except for the provision concerning refuse disposal, which is applicable to contracts entered into on and after that date.

BACKGROUND

Renewal Clauses in Shorter Consumer Contracts

The law also requires anyone who sells or offers to sell consumer goods or services under a written contract that (1) will last up to 180 days and (2) includes a provision automatically renewing it for more than 31 days, to include in the contract a clear and conspicuous notice that the recipient may cancel the contract and the cancellation procedure. It prohibits requiring the consumer to exercise his or her cancellation right more than 60 days before the scheduled end of the contract term.

If contracts with automatic renewal clauses do not contain the required notices, the law deems products or services provided to the consumer after the scheduled end of the contract to be an unconditional gift without any obligation on the recipient's part. A violation of the law's requirements is deemed to be an unfair trade practice.

Exemptions

The law exempts the following consumer contracts from the renewal provision requirement: (1) contracts offered by licensed health clubs; (2) contracts subject to the state's Truth-in-Lending Act; (3) contracts between a condominium or housing association and a person

other than an individual; and (4) the sale of banking, insurance, and securities products and services, if the provision of the goods or services is subject to regulation or licensing by the state or a federal agency. By law, the term "person" may extend and be applied to communities, companies, corporations, limited liability companies, societies, and associations.

Health Club Contracts

No health club contract may contain an automatic renewal clause except for a renewal for a period up to one month. If the contract has a one-month automatic renewal clause, the renewal becomes effective only upon payment of the renewal price and the contract must allow the buyer to cancel any further renewal upon no more than one month's notice (CGS § 21a-219). The price of any such renewal may not increase or decrease unless the contract: (1) discloses the amount of such increase or decrease or the method of calculating it or (2) such information is otherwise given to the buyer, in writing, at least one month before the renewal. Any renewal option for continued membership must be accepted by the buyer in writing, by electronic mail or facsimile, and becomes effective only upon payment of the renewal price.

Legislative History

The House referred the original bill (File 65) to the Judiciary Committee, which favorably reported a bill (File 648) that narrowed the bill's applicability to contracts that renew for more than 31 days from all renewals of all contracts.

COMMITTEE ACTION

General Law Committee

Joint Favorable

Yea 19 Nay 0 (03/06/2007)

Judiciary Committee

Joint Favorable Substitute

Yea 39 Nay 0 (04/13/2007)